


Mr. W. H. Brown
Shelton

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annual report 1967

MOGUL MINES LIMITED



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MOGUL MINES LIMITED

ANNUAL REPORT 1967

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ANNUAL MEETING

Toronto Room
King Edward Sheraton Hotel
Friday, June 21, 1968, 11:00 A.M.

MOGUL MINES LIMITED

OFFICERS

S. A. PERRY, F.C.I.S., *Chairman of the Board*
D. W. KNIGHT, *President*
G. D. PATTISON, C.A., *Executive Vice-President*
R. D. BELL, C.A., *Secretary-Treasurer*

DIRECTORS

R. D. BELL, C.A., Toronto, Ont.
LATHAM C. BURNS, B.A., Toronto, Ont.
P. S. CROSS, B.SC., Toronto, Ont.
R. A. DAVIES, Q.C., Toronto, Ont.
E. T. DONALDSON, Toronto, Ont.
D. W. KNIGHT, Toronto, Ont.
JOHN KOSTUIK, B.SC., Don Mills, Ont.
E. B. MCCONKEY, C.A., Scarborough, Ont.
G. D. PATTISON, C.A., R.R. #2, Aurora, Ont.
S. A. PERRY, F.C.I.S., Toronto, Ont.
ANTHONY ROMAN, R.R. #2, Gormley, Ont.
STEPHEN B. ROMAN, K.C.S.G., LL.D., R.R. #1, Unionville, Ont.

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON, Toronto, Ont.

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA, Toronto, Ont.

BANKERS

THE TORONTO-DOMINION BANK, Toronto, Ont.

HEAD OFFICE

Suite 509, 25 Adelaide Street West, Toronto, Ont.



Your Directors are pleased to present this report on the activities of your Company, and its consolidated financial statements for the year ended December 31, 1967.

Since 1963, when the mineral discovery was made, the Company's main effort has been the development of the mining complex and construction of the 3,000 ton per day concentrator of its 75% owned subsidiary, Mogul of Ireland Limited, in County Tipperary, Ireland.

The culmination of this effort was marked on May 20, 1968 with the commencement of milling operations. Management is confident that the mill tune-up period will proceed satisfactorily and that capacity operations will be achieved in a short period of time. The first shipment of concentrates is expected to be made prior to the end of June. It is also expected that the aggregate cost of the mining and milling facilities will be well within the original budget estimate of \$20,800,000 made early in 1965.

Your Directors gratefully acknowledge the excellent co-operation and efforts of the staff of Mogul of Ireland Limited, and the Company's consultants and associates during the past year.

It is interesting to note that Mogul of Ireland Limited will be one of the largest lead-zinc producers in Western Europe. It is the third mine brought into production in Ireland during the past three years, and the Government of the Republic of Ireland has been alert in recognizing the importance of mining to the country's economy by granting substantial tax relief to new mines and encouraging mineral exploration.

Your Company continued to be active in general mineral exploration during the past year and a substantial number of mining prospects were investigated and evaluated, several of which are of continuing interest. Subsidiary and associated companies were active in mineral exploration in various countries including Canada, the United States, Australia and Ireland. Because of the favourable attitude of the Irish Government the Company plans to continue active exploration in Ireland.

Important investments of the Company include shares of Canadian Dyno Mines Limited and Irish Copper Mines Limited, both subsidiaries, and Lorado Uranium Mines Limited, Panacolor, Inc., McWatters Gold Mines, Limited and Yale Lead & Zinc Mines Limited. M.E.M. Consultants Limited is a wholly-owned subsidiary which provides consulting services to associated and other unrelated mining companies.

Information concerning Mogul of Ireland Limited, the exploration activities of your Company and its investments are provided elsewhere in this report.

On behalf of the Board,

Toronto, Ontario,
May 27, 1968.

D. W. KNIGHT,
President.

TO THE SHAREHOLDERS



MOGUL MINES LIMITED

INFORMATION CONCERNING MOGUL OF IRELAND LIMITED

- OWNERSHIP**
- 75% by your Company.
 - 25% by Silvermines Limited, a public Irish Company.
- BACKGROUND**
- Incorporated March, 1964 with a capitalization of 500,000 shares of £1 par value each.
 - formed to acquire and develop mining properties in the County of Tipperary, Ireland, under the provisions of an agreement dated October, 1962 with Silvermines Limited.
- EXPLORATION**
- surface exploration started in November, 1962.
 - diamond drilling commenced in July, 1963.
 - to date 256 holes have been drilled on the property for a total of 132,731'.
 - drilling suspended in 1965 until Mine development completed.
- MINE LOCATION**
- near Village of Silvermines about six miles from the town of Nenagh. Limerick is twenty-five miles west of the Mine and Foynes, the port from which the concentrates will be shipped, is about forty-seven miles west of the mine on the Shannon River Estuary.
- ORE RESERVES**
- after allowing for dilution drilling to date in the "G" Zone area has outlined 11,980,000 tons as follows:

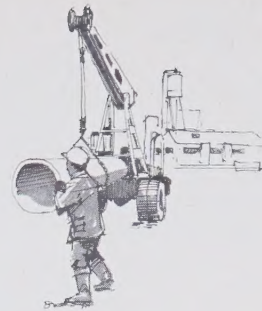
	Tons	% Zinc	% Lead	Oz. Silver
Upper zone, high grade section . . .	6,373,000	10.10	2.75	0.85
Upper zone, low grade section . . .	3,882,000	5.35	1.69	0.60
Lower zone	1,725,000	3.11	3.98	1.10
	<u>11,980,000</u>			

- Drilling in the "B" Zone 2,000' along strike to the east of the "G" Zone has indicated approximately 2,000,000 tons of 10% combined lead-zinc.
- Drilling in the "K" Zone further to the east contains approximately 600,000 tons of 6% combined lead-zinc.

There are excellent possibilities that additional tonnages may be found in all of these zones.

- METALLURGY**
- indicated recoveries and grades of concentrates to be produced are as follows:

	Recovery	Concentrate Grade
Zinc	85%	50%
Lead	74%	40%
Silver	25%	3.5 oz. in lead conc.



MILLING OPERATIONS

- the 3,000 ton per day concentrator commenced operations on May 20, 1968 and it is expected that capacity operations will be achieved in about three months.

MINE PREPARATION

- an underground complex capable of producing 4,200 tons of ore per mining day or approximately 1,000,000 tons of ore per year is in an advanced stage of development.

FINANCING

- arrangements were completed in November, 1965 to borrow up to \$21,553,000 Canadian funds to pay for the capital costs of the project. The participants in the financing were:

Burns Bros. and Denton Limited, Toronto, Canada;

Bergmetall G.m.b.H., Bad Homburg, West Germany, a wholly owned subsidiary of Preussag A.G.;

Erzgesellschaft, m.b.H., Frankfurt, West Germany, a wholly owned subsidiary of Metallgesellschaft A.G.;

Société Minière et Metallurgique de Penarroya, S.A., Paris, France;

Tennant Securities Limited, London, England;

Midland and International Banks Limited, London, England, an international affiliate of The Toronto-Dominion Bank;

Mogul Mines Limited, Toronto, Canada.

CAPITAL COST OF PROJECT

- In June of 1965 it was estimated that it would cost \$20,810,700 to bring the Mine into production. It is now anticipated that the project will be completed under this estimate.

CONCENTRATE CONTRACTS

- Concentrate sales contracts have been made with Bergmetall, Erzgesellschaft and Société Minière et Metallurgique, providing for the sale in U.S. dollars of concentrates produced.

TAXATION

- Exempt from the payment of income taxes for a period of twenty years from the commencement of production.
- Royalties are payable to the Government of the Republic of Ireland based on ore mined from mineral rights leased from the State (approximately 40% of the "G" Zone ore reserves).

EMPLOYMENT

- approximately 400 persons will be employed at the mine.



INFORMATION CONCERNING EXPLORATION ACTIVITIES

Your Company's exploration activities are summarized as follows:

- Further surface examinations and reappraisal of work performed in the past has resulted in a renewed interest in two areas in western Ireland which are held under prospecting licences. Further work is planned for these areas possibly in participation with another mining company.
- Basin Explorations (Ireland) Syndicate. The Company continues to hold a 50% interest in and manages the affairs of Basin Explorations (Ireland) Syndicate. During the past year this Syndicate carried out extensive programs of surface exploration and performed diamond drilling on three of the five favourable anomalous areas outlined. Results of the diamond drilling were negative. The remaining two areas are retained for further investigation. At December 31, 1967 thirteen prospecting licences covering an area of about 142 square miles were held by the Syndicate and exploration work is continuing on a modest scale.
- Under the terms of an agreement with Silvermines Limited, our partner in the Mogul of Ireland Limited venture, the Company will direct at cost exploration of a large area in the Counties of Clare, Tipperary and Limerick, Ireland. The Company holds a 25% carried interest in this venture and results of surface work performed to date have indicated several areas of interest.
- A 1/6th interest in Con-Mog Explorations Limited, a company which holds substantial property under prospecting licences in the Counties of Limerick and Tipperary, Ireland. The other participants in this venture are Canadian Dyno Mines Limited, McWatters Gold Mines, Limited, Irish Copper Mines Limited, North Rankin Nickel Mines Limited and North Coldstream Mines Limited.
- A 90% interest in a Company which owns a laterite nickel deposit in the State of Oregon.
- Surface work carried out on the Whitefish Bay Area, Kenora District Ontario, property by the Company and the results of exploration by other companies in the area were negative so this property was allowed to lapse in 1968.
- The Company intends to continue its policy of examining and exploring mineral properties of merit and to search for mining prospects and ventures anywhere in the world where favourable conditions exist.



INFORMATION CONCERNING INVESTMENTS

Your Company owns investments in shares of several other companies, some of which are mentioned below:

Subsidiary Companies

CANADIAN DYNO MINES LIMITED

Among Canadian Dyno's assets are the following:

- a 16.4% interest in New Quebec Raglan Mines Limited, a subsidiary company of Falconbridge Nickel Mines Limited. New Quebec Raglan owns extensive nickel-copper properties in the Ungava area of New Quebec on which diamond drilling has indicated substantial tonnages. Further drilling is planned for this year and preliminary feasibility studies may be undertaken.

- a 19% share interest in Lorado Uranium Mines Limited. Lorado's main asset is its 16.4% interest in The Grand Bahama Development Company Limited, a company which owns extensive land holdings on Grand Bahama Island as well as substantial interests in other companies which provide services for the Island. The Grand Bahama Development Company Limited has shown impressive growth over the past few years in line with the development of the Island as a resort, residential and industrial complex. The Grand Bahama project has reached a most important stage and it is anticipated that the rate of growth will continue.

Canadian Dyno also holds a small direct interest in shares of The Grand Bahama Development Company Limited.

- a substantial share interest in North Rankin Nickel Mines Limited. North Rankin is active in mineral exploration in Canada and elsewhere and has ample finances to carry out its programs. North Rankin holds a valuable interest in Panacolor, Inc.
- a 50% interest in 333 mining claims in the Toronto-Crescent-Pikitungushi Lakes area located thirty-three miles northeast of Armstrong, Ontario. During the past year an extensive exploration program was carried out on this property including airborne and ground geological and geophysical surveys. Further surface investigation work and an extensive program of diamond drilling is planned to commence on this property within the next two months.
- a 10% interest in Basin Explorations (Ireland) Syndicate.
- A 20% interest in Irish Metal Mining Company Limited, which holds prospecting rights over a large area in the Old Barony of West Carbery in the extreme southwesterly portion of Ireland. Stream sediment sampling has already commenced on this property to be followed by geological mapping and surface



MOGUL MINES LIMITED

soil sampling. North Rankin Nickel Mines Limited, Irish Copper Mines Limited and McWatters Gold Mines, Limited also each hold a 20% interest in Irish Metal Mining Company Limited.

- a 1/6 interest in Con-Mog Explorations Limited.

IRISH COPPER MINES LIMITED

Among Irish Copper's assets are the following:

- a 10% interest in Basin Explorations (Ireland) Syndicate.
- a 20% interest in Irish Metal Mining Company Limited.
- a 1/6 interest in Con-Mog Explorations Limited.

Other Companies

McWATTERS GOLD MINES, LIMITED

- McWatters holds an 82½% interest in 54 mining claims in Langmuir Township, Porcupine Mining Division, Ontario, on which about 643,000 tons grading 1.07% nickel has been drill indicated.
- a 20% interest in Irish Metal Mining Company Limited.
- a 1/6 interest in Con-Mog Explorations Limited.
- a substantial investment portfolio and ample finances to carry out its programs.

PANACOLOR, INC.

- a company which has developed the new Panacolor Magazine Projector being manufactured by Zeiss Ikon, and a color film printing process known as the Panacolor Process. After several years of research and development the Company is now embarking upon a vigorous sales program.

YALE LEAD & ZINC MINES LIMITED

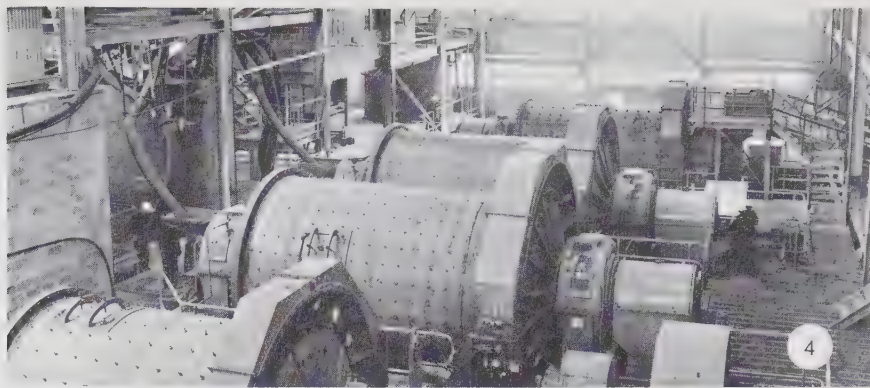
Among Yale Lead's assets are:

- an option on a barite-fluorspar deposit at Lake Ainslie, Cape Breton, Nova Scotia, containing about 3,000,000 tons of vein material grading 43.58% BaSO₄ and 17.36% CaF₂. Research work is being continued to find a method of mineral separation which will reduce capital and operating costs of treatment plant and make the project economically feasible.
- a 10% interest in Basin Explorations (Ireland) Syndicate.

CONSOLIDATED HALLIWELL LIMITED

- For many years the Company has held an investment in the debentures of Consolidated Halliwell Limited which the directors have revalued as disclosed in note 7 to the accompanying financial statements.

Mogul also holds investments in shares of Lorado Uranium Mines Limited, Silvermines Limited and other mining companies.



① Southern view of 6-compartment headframe and portion of surface complex as viewed from surface stockpile

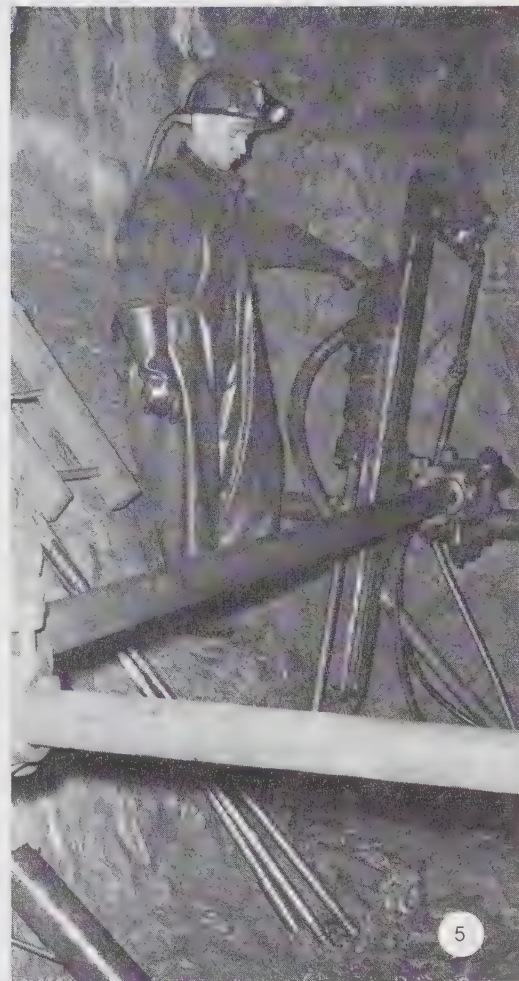
② Regrind Cone Crushers in Regrind Circuit

③ Computer (IBM) and Printer

④ Rod and Ball Mills

⑤ Longhole driller "Red" Antler

⑥ Conveyor system, concentrator, fine ore bins.





MOGUL MINES LIMITED

Incorporated under the laws of Ontario
AND ITS CONSOLIDATED SUBSIDIARIES

ASSETS

	1967	1966
CURRENT ASSETS		
Cash and short-term bank deposit	\$ 124,556	\$ 277,398
Accounts receivable	844,994	149,998
Project funds held by trustee (note 2)	865,049	
Inventory of supplies (note 3)	402,774	207,767
Prepaid expenses and deposits	7,894	27,130
	<u>2,245,267</u>	<u>662,293</u>
DEPOSITS (note 4)		
Income taxes under appeal	125,000	125,000
Port dues	215,880	253,260
	<u>340,880</u>	<u>378,260</u>
INVESTMENTS (note 5)		
Subsidiaries not consolidated (note 6)	1,882,310	1,848,314
Mining and other companies (note 7)		
Shares	834,897	1,091,900
Debentures	426,000	1,438,483
	<u>3,143,207</u>	<u>4,378,697</u>
FIXED ASSETS		
In Ireland, Silvermines property		
Mineral leases and rights (note 8)	1,805,747	1,805,747
Land, buildings, plant and equipment, at cost and construction in progress	8,797,942	5,182,878
In Canada		
Buildings and equipment, at cost less proceeds from disposals	215,630	213,407
	<u>10,819,319</u>	<u>7,202,032</u>
MINING CLAIMS AND RIGHTS AND DEFERRED EXPLORATION AND DEVELOPMENT THEREON (note 9)	<u>951,689</u>	<u>933,604</u>
DEFERRED CHARGES		
Preproduction expenditures in Ireland	5,137,929	2,673,916
Discount on First Mortgage Bonds, Series A, and financing expenses (note 2)	1,771,868	1,771,868
	<u>6,909,797</u>	<u>4,445,784</u>
EXCESS OF COST OF SHARES OF SUBSIDIARY, Mogul of Ireland Limited, over book value on acquisition (note 1)	83,841	83,841
	<u>\$24,494,000</u>	<u>\$18,084,511</u>

Approved on behalf of the Board.

D. W. KNIGHT, Director.

R. D. BELL, Director.

CONSOLIDATED BALANCE SHEET—December 31, 1967

(with comparative figures at December 31, 1966)

LIABILITIES

	1967	1966
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,037,355	\$ 865,281
Income taxes payable	101	1,782
	<u>1,037,456</u>	<u>867,063</u>
LONG-TERM LIABILITIES		
Provision for guarantee of Consolidated Halliwell Limited debentures (note 7)	1,300,000	
First Mortgage Bonds (note 2)		
7% Series A	7,000,000	7,000,000
6¾ % Series B (U.S. \$6,500,000)	7,017,899	2,156,818
6¾ % Series C (U.S. \$1,000,000)	1,075,038	
6¾ % Series D (U.S. \$1,000,000)	1,073,192	
	<u>17,466,129</u>	<u>9,156,818</u>
MINORITY INTEREST in Mogul of Ireland Limited (note 1)	<u>376,875</u>	<u>376,875</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 10)		
Authorized — 15,000,000 shares without par value		
Issued — 7,538,246 shares (1966, 7,509,246 shares) ..	7,557,446	7,509,246
CONTRIBUTED SURPLUS , less deficit applied December 31, 1965	404,248	404,248
	<u>7,961,694</u>	<u>7,913,494</u>
DEFICIT	2,348,154	229,739
	<u>5,613,540</u>	<u>7,683,755</u>
	<u>\$24,494,000</u>	<u>\$18,084,511</u>
CONTINGENT LIABILITY (note 11)		

AUDITORS' REPORT

To the Shareholders of
MOGUL MINES LIMITED

We have examined the consolidated balance sheet of Mogul Mines Limited and its consolidated subsidiaries as at December 31, 1967 and the consolidated statements of income, deficit, preproduction expenditures and source and application of funds for the year then ended. Our examination of Mogul Mines Limited and of the consolidated subsidiary of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to the subsidiary, Mogul of Ireland Limited, of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the report of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 2, 1968

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.



MOGUL MINES LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

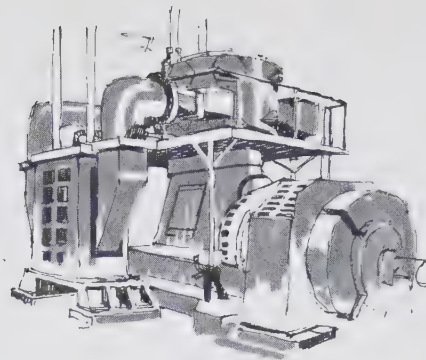
Year Ended December 31, 1967
(with comparative figures for 1966)

INCOME	1967	1966
Consulting fees	\$ 160,616	\$ 161,253
Interest earned	106,315	98,769
	<u>266,931</u>	<u>260,022</u>
EXPENSES		
Cost of consulting services	174,370	148,830
Executive salaries and administration	87,467	78,125
Financial expenses	6,817	
General exploration	34,773	29,025
Legal and audit	20,792	16,653
Office salaries, supplies and rent	55,884	54,369
Public relations and reports to shareholders	28,689	37,872
Other	12,627	7,522
	<u>421,419</u>	<u>372,396</u>
Loss before income taxes	154,488	112,374
Income taxes of subsidiary company	375	1,782
Loss for the year	<u>\$ 154,863</u>	<u>\$ 114,156</u>

CONSOLIDATED STATEMENT OF DEFICIT

Year Ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Deficit at beginning of year	\$ 229,739	
Add		
Loss for the year	154,863	\$ 114,156
Mining claims abandoned		
Cost	3,000	29,121
Exploration and development expenditures		78,155
Debentures of Consolidated Halliwell Limited (note 7)		
Investment written down	1,100,591	
Provision for guarantee	1,300,000	
Advances to other mining companies, written off	3,700	3,600
Net loss on guarantee of St. Patrick's Copper Mines Limited ..		46,439
	<u>2,791,893</u>	<u>271,471</u>
Deduct		
Profit on disposal of investments	427,849	41,732
Recovery of advances previously written off	1,099	
Adjustment of items accrued in prior years	14,791	
	<u>443,739</u>	<u>41,732</u>
Deficit at end of year	<u>\$2,348,154</u>	<u>\$ 229,739</u>



CONSOLIDATED STATEMENT OF PREPRODUCTION EXPENDITURES

Year Ended December 31, 1967

	Balance at beginning of year	Expenditures during year	Balance at end of year
Exploration	\$ 426,366		\$ 426,366
Metallurgical investigation	106,448	\$ 9,333	115,781
Plant design	771,644	281,662	1,053,306
Development	762,515	941,962	1,704,477
Mining		303,772	303,772
Administration and general charges	606,943	447,933	1,054,876
Interest on long-term liabilities		479,351	479,351
Preproduction expenditures in Ireland	<u>\$2,673,916</u>	<u>\$2,464,013</u>	<u>\$5,137,929</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1967

(with comparative figures for 1966)

SOURCE OF FUNDS

	1967	1966
Issue of first mortgage bonds	\$7,009,311	\$2,156,818
Proceeds from sale of investments	789,686	105,827
Issue of shares of capital stock	48,200	
Funds arising on devaluation	37,380	
Recovery of advances	1,099	77,370
Adjustment of items accrued in prior years	14,791	
	<u>7,900,467</u>	<u>2,340,015</u>

APPLICATION OF FUNDS

Operations

Loss for the year	154,863	114,156
Add interest earned, not representing a receipt of funds	88,108	59,355
	<u>242,971</u>	<u>173,511</u>
Deduct depreciation	2,023	2,341
	<u>240,948</u>	<u>171,170</u>

Additions to fixed assets

Preproduction expenditures	3,619,310	3,020,130
Deposit with Foynes Harbour Trustees	2,464,013	1,289,283
Purchase of investments		253,260
Advances	105,027	252,261
Purchase of mining claims	37,503	52,665
Exploration and development expenditures	21,085	9,562
	<u>6,487,886</u>	<u>5,136,446</u>

Increase (decrease) in working capital	1,412,581	(2,796,431)
Working capital (deficiency) at beginning of year	(204,770)	2,591,661
Working capital (deficiency) at end of year	<u>\$1,207,811</u>	<u>\$ (204,770)</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1967

1. BASIS OF CONSOLIDATION

The accounts of two subsidiaries are consolidated in this financial statement, as follows:

(a) MOGUL OF IRELAND LIMITED

Pursuant to the terms of an agreement with Silvermines Lead & Zinc Company Limited, Mogul of Ireland acquired the rights in and to and to operate the mining property at Silvermines, County Tipperary, Ireland.

The investment in Mogul of Ireland, representing a 75% interest in the authorized and issued shares of that company, is carried on the books of the company at a cost of \$1,214,466. The value of the shares of Mogul of Ireland issued to its parent, according to the books of the subsidiary, is \$1,130,625. The cost to the parent company of its investment in Mogul of Ireland therefore exceeds book value by \$83,841.

The accounts of Mogul of Ireland are recorded in Sterling, which currency was devalued on November 18, 1967. On the accompanying consolidated financial statements the sterling accounts have been converted as set out below except in those cases where actual known dollar amounts are applicable to particular transactions.

- (1) Fixed assets acquired pre-devaluation have been converted at a rate of Cdn. \$3.015 to £1, and those acquired post-devaluation at a rate of Cdn. \$2.57 to £1.
- (2) Current assets, current liabilities and the port dues have been converted at Cdn. \$2.57 to £1.
- (3) Mineral rights have been converted at Cdn. \$3.015 to £1.
- (4) Preproduction expenditures incurred pre-devaluation have been converted at Cdn. \$3.015 to £1 and post-devaluation expenditures at Cdn. \$2.57 to £1.
- (5) The First Mortgage Bonds were issued pre-devaluation and are recorded at net proceeds in terms of Canadian dollars at time of issue.
- (6) Capital stock has been converted at Cdn. \$3.015 to £1.

(b) M.E.M. CONSULTANTS LIMITED

This wholly-owned subsidiary conducts exploration programs and provides engineering, geological and other consulting services for other mining companies.

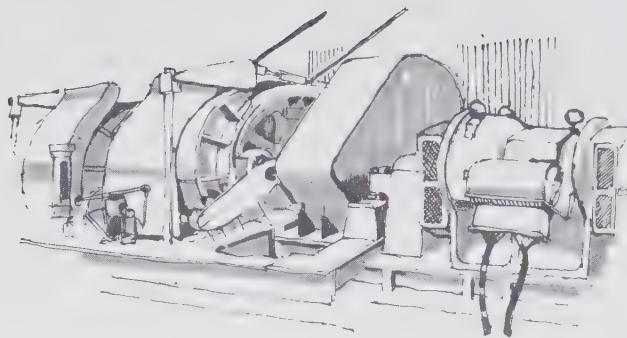
To the extent that M.E.M. Consultants performs services for the parent company and for Mogul of Ireland, the profit on such services has been eliminated on consolidation.

2. FINANCING OF MOGUL OF IRELAND LIMITED

Authorized

Financing arranged for Mogul of Ireland is considered sufficient to provide for bringing the property at Silvermines into production. The details of the financing authorized under the terms of the Trust Deed are as follows:

- (a) \$7,000,000 Canadian funds, principal amount of 7% First Mortgage Bonds, Series A, due September 1, 1975, interest to accrue from March 1, 1968.
- (b) \$6,500,000 U.S. funds, principal amount of 6¾% First Mortgage Bonds, Series B, due September 1, 1973, interest accruing from date of issue.
- (c) \$1,000,000 U.S. funds, principal amount of 6¾% First Mortgage Bonds, Series C, due September 1, 1973, interest to accrue from date of issue.
- (d) \$6,500,000 U.S. funds, principal amount of 6¾% First Mortgage Bonds, Series D, due September 1, 1971, to be purchased at par by a United Kingdom bank, interest to accrue



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

from date of issue. A standby fee of 1% per annum is payable by Mogul of Ireland computed from August 1, 1965 on the principal amount of Series D bonds authorized but not yet issued.

- (e) \$1,000,000 Canadian funds, principal amount, 6% note payable to Mogul Mines, interest accruing from November 29, 1965. No payment on account of principal or interest on this note is to be made until all Series A, Series B, Series C and Series D First Mortgage Bonds have been retired.

All bonds are and will be secured by a first fixed and specific mortgage and charge on all the real and immovable property of Mogul of Ireland Limited and all buildings and fixed plant, machinery and equipment constructed or acquired by it as part of the development program of the Silvermines property, together with all monies and securities from time to time forming part of the project fund (see below) and all contracts entered into for the sale of concentrates; also by a first floating charge on the undertaking and all other property and assets of Mogul of Ireland, both present and future.

Mogul of Ireland is required under the terms of the Trust Deed securing the bonds to establish a fund for their retirement by paying to the trustee, on or before September 1, in each of the years 1969 to 1974 inclusive, an amount equal to its net cash flow from operations as defined in the Trust Deed. Notwithstanding the amount of the net cash flow available, Mogul of Ireland is required to have paid certain specific minimum amounts into the retirement fund on or before September 1, in each of the years 1970 to 1974 inclusive.

Issued and Outstanding

All of the authorized First Mortgage Bonds and the note have been issued except for the Series D Bonds of which U.S. \$1,000,000 has been issued to December 31, 1967. Subsequent to December 31, 1967 an additional U.S. \$1,000,000 principal amount Series D has been issued.

The discount on the First Mortgage Bonds, Series A, together with financing expenses of the issue totalling \$1,771,868 will be amortized over the remaining life of the bonds upon commencement of production, but dependent upon the rate of redemption.

Project Fund Held by Trustee

Proceeds from the issue of the First Mortgage Bonds are deposited with the trustee in a project fund. The monies in this fund become available to the company from time to time upon presentation to the trustee of certificates of expenditures incurred on the development program of the Silvermines property. There were no monies in the project fund at December 31, 1966.

3. INVENTORY OF SUPPLIES

This item consists of the following:

	1967	1966
Supplies at the Silvermines property in Ireland, at cost	\$ 402,773	\$ 207,766
Supplies at the Harvey Hill mine in Quebec, at nominal value	1	1
	<u>\$ 402,774</u>	<u>\$ 207,767</u>

4. DEPOSITS

INCOME TAXES UNDER APPEAL

The company in 1964 deposited with the Receiver General of Canada \$125,000 in connection with income tax assessments totalling \$225,827 for the years 1957 to 1960 inclusive. The

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

company's objections to these assessments have been upheld by decisions of the Tax Appeal Board and the Exchequer Court in 1965. The Minister of National Revenue has filed an appeal with the Supreme Court of Canada in respect of the above decisions.

Mogul of Ireland has deposited \$215,880 (£84,000) with the Foynes Harbour Trustees in connection with the construction of a pier. The deposit is recoverable over a period of ten years from the date of the first shipment of concentrates on January 1, 1969 whichever is the earlier, at the rate of 1 shilling (13¢ Canadian) per ton of concentrates exported through the port to a maximum of 1,680,000 tons. Should exports over the ten year period be below this figure the balance of the deposit is forfeited.

5. INVESTMENTS

Investments in shares, including subsidiaries not consolidated, have been valued at the lower of cost less proceeds from disposals and quoted market values as at December 31, 1965. Shares without quoted market value are at cost less proceeds from disposals or at nominal value. Investments acquired subsequent to December 31, 1965 are recorded at cost.

6. SUBSIDIARIES NOT CONSOLIDATED

Investments in other subsidiaries not consolidated are as follows:

	Net book value	Quoted market value	Minority interest
Canadian Dyno Mines Limited	\$1,124,630	\$3,800,000	40%
Irish Copper Mines Limited	664,923	399,000	47%
Others, including advances of \$78,002	92,757		various
	<u>\$1,882,310</u>	<u>\$4,199,000</u>	

Because of the substantial minority interest, it is not considered desirable to consolidate the accounts of these companies.

Because of the large blocks of shares held, the quoted market values for shares of Canadian Dyno and Irish Copper are not necessarily indicative of amounts that might be realized if these investments were to be sold.

The company's share of earnings of Canadian Dyno for the year ended July 31, 1967, amounted to approximately \$17,800 and its share of the net loss on investments charged to deficit amounted to approximately \$457,000. Earnings of Canadian Dyno for the current and prior years attributable to the shares held by the company aggregate approximately \$877,700.

The investment in Irish Copper is valued at its quoted market value at December 31, 1965. Other subsidiaries are inactive or in their initial development stages, and their shares are without quoted market value.

7. INVESTMENTS IN MINING AND OTHER COMPANIES**Shares**

The quoted market value of these investments as at December 31, 1967 was approximately \$2,929,000 (1966, \$2,654,000).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Because in some instances large blocks of shares are held, market values are not necessarily indicative of amounts that might be realized if the investments were to be sold.

Debentures

These consist of \$1,319,000 principal amount of Consolidated Halliwell Limited 6½% debentures, due May 31, 1970 and accrued interest thereon at December 31, 1967 of \$254,633. The company has also guaranteed payment to certain other mining companies of \$1,418,000 principal amount of Consolidated Halliwell 6½% debentures held by them and unpaid interest thereon at May 31, 1970.

By agreement dated March 15, 1968, as amended, subject to the acceptance for filing of a Statement of Material Facts of Consolidated Halliwell Limited by the Toronto Stock Exchange and the Ontario Securities Commission, the company has agreed as follows:

To issue to the holders of the debentures guaranteed by the company, 6½% notes of Mogul in exchange for the \$1,418,000 principal amount of the debentures held by them and non-interest bearing notes for the interest thereon accrued and unpaid at March 31, 1968 amounting to \$304,600. The notes are due May 31, 1970.

To accept 1,462,972 shares of Consolidated Halliwell Limited in full settlement of the \$2,737,000 principal amount of debentures held and to be acquired by the company and interest accrued and unpaid thereon at March 31, 1968 of \$587,936 aggregating \$3,324,936.

The approximate market value of the shares of Consolidated Halliwell Limited is 60¢ per share. Based on this valuation the company has provided herein for losses which may be realized as a result of this investment and guarantee.

8. MINERAL LEASES AND RIGHTS IN IRELAND

Mineral rights to the Silvermines property have been acquired in various parcels either by outright purchase or by lease and sub-lease from the State or others. Certain of the leases and sub-leases call for the payment of royalties upon commencement of production.

9. MINING CLAIMS AND RIGHTS AND DEFERRED EXPLORATION AND DEVELOPMENT THEREON

Mining Claims and Rights

Harvey Hill mine property in Broughton and Leeds Townships, Eastern Townships Area, Quebec, acquired for cash	\$ 93,740
1 Claim in Joutel Township, Quebec, acquired for 10,000 shares of the company's capital stock valued at \$9,000 and \$5,000 cash	14,000
156 Claims in the Whitefish Bay Area, Kenora Mining Division, Ontario, acquired by staking	9,000
5 Prospecting licenses in the Counties of Galway and Limerick, Ireland	nil
A 50% interest in certain prospecting licenses in the Republic of Ireland, held by the Basin Explorations (Ireland) Syndicate	nil
Carried forward	116,740



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Brought forward 116,740

Deferred Exploration and Development Expenditures Thereon

	Balance at beginning of year	Expenditures during year	Balance at end of year
Harvey Hill Mine	\$ 689,767	\$ 4,420	\$ 694,187
Joutel Township	704	240	944
Prospecting licenses, Ireland	57,042	4,642	61,684
Basin Exploration (Ireland) Syndicate			
Expenditures	31,498	29,667	61,165
Unexpended advances	28,502	(19,667)	8,835
Whitefish Bay area	6,351	1,783	8,134
	<u>\$ 813,864</u>	<u>\$ 21,085</u>	<u>834,949</u>
Cost of mining claims and rights and deferred exploration and development expenditures thereon			<u>\$ 951,689</u>

10. CAPITAL STOCK

Issued During the Year

The company issued a total of 29,000 shares of capital stock pursuant to incentive option agreements with an employee of the company and an employee of Mogul of Ireland for an aggregate consideration of \$48,200 cash.

Options Outstanding

There are options outstanding to an employee of Mogul of Ireland in respect of 16,000 shares of Mogul Mines at \$3 per share, exercisable up to August 1, 1970.

11. CONTINGENT LIABILITY

Pursuant to the option agreement dated October 8, 1962 with Silvermines Lead & Zinc Company Limited, the company has agreed to pay to Silvermines 25% of any excess of the effective rate of interest paid by Mogul of Ireland for the senior financing over 8% per annum. The effective rate is to be calculated upon redemption of all First Mortgage Bonds and the promissory note (note 2).

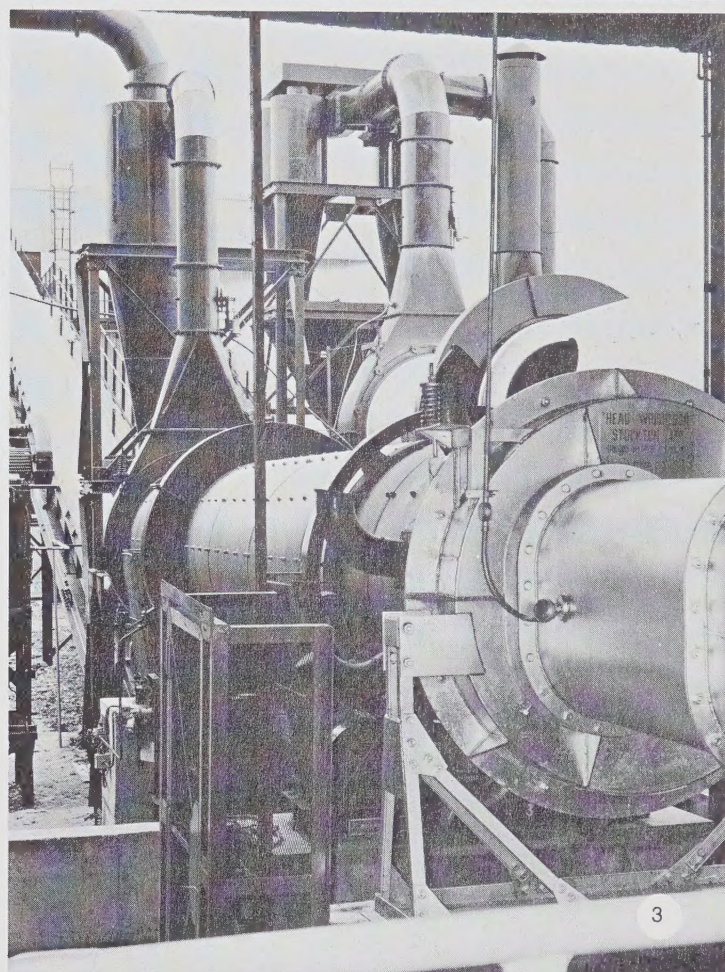
12. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Corporations Act, Ontario):

Company and consolidated subsidiaries	\$ 118,815
Non-consolidated subsidiaries	3,125

13. CHANGE OF NAME

By Supplementary Letters Patent dated July 27, 1967, the name of the company was changed from Consolidated Mogul Mines Limited to **Mogul Mines Limited**.

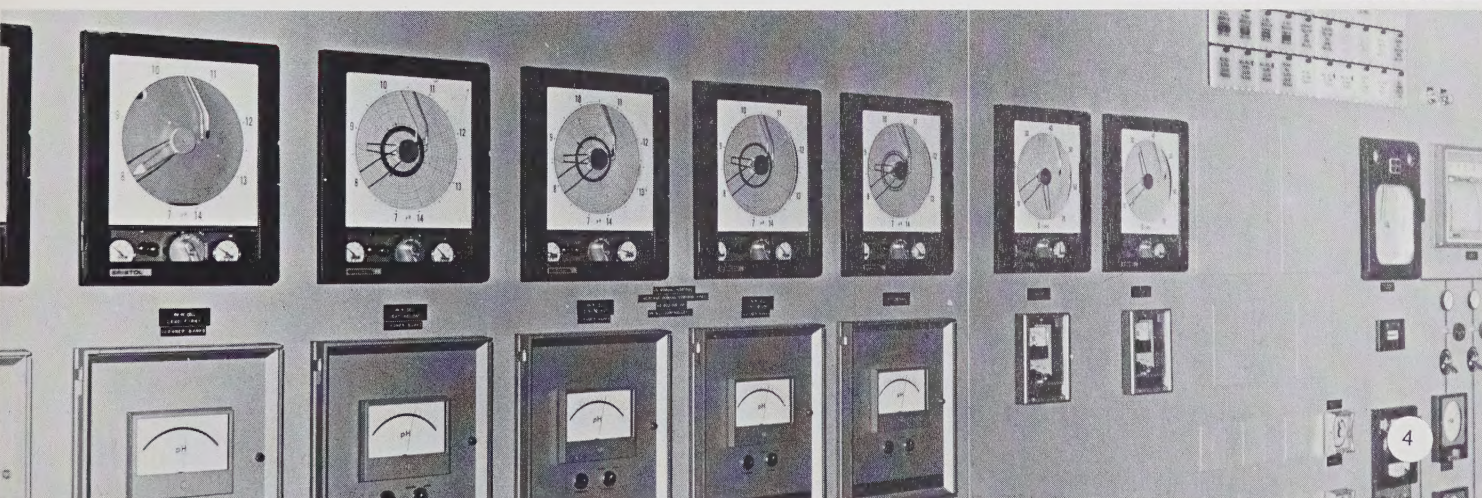


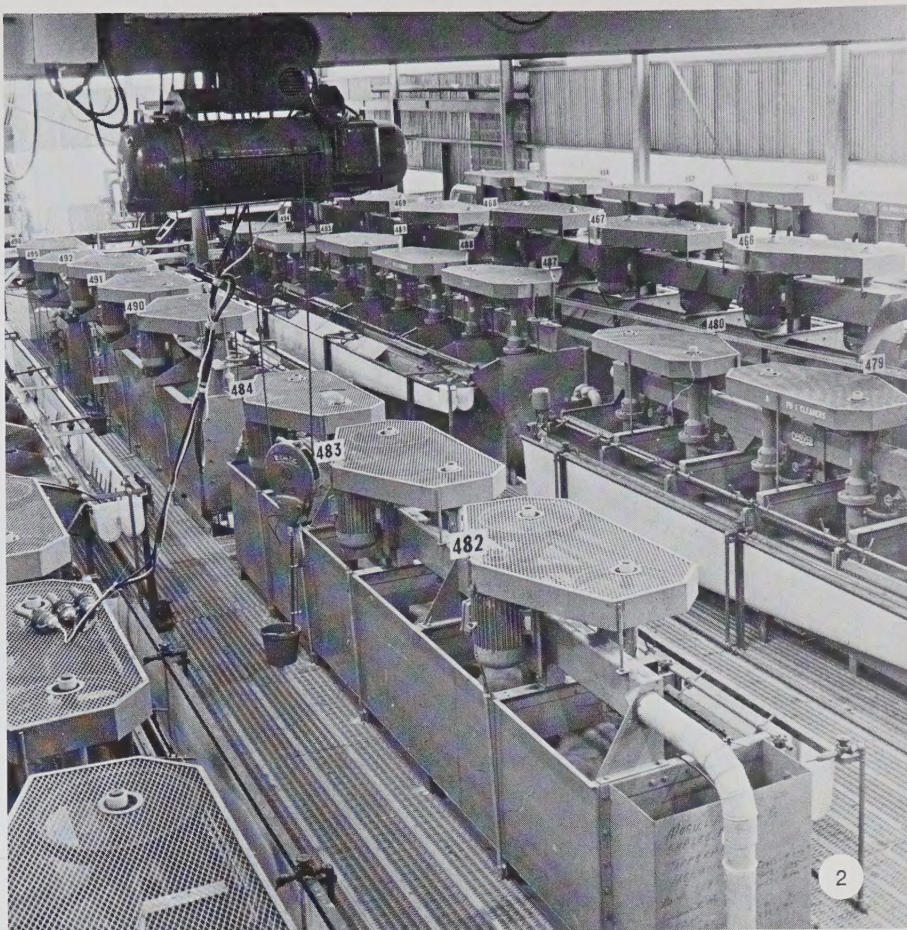
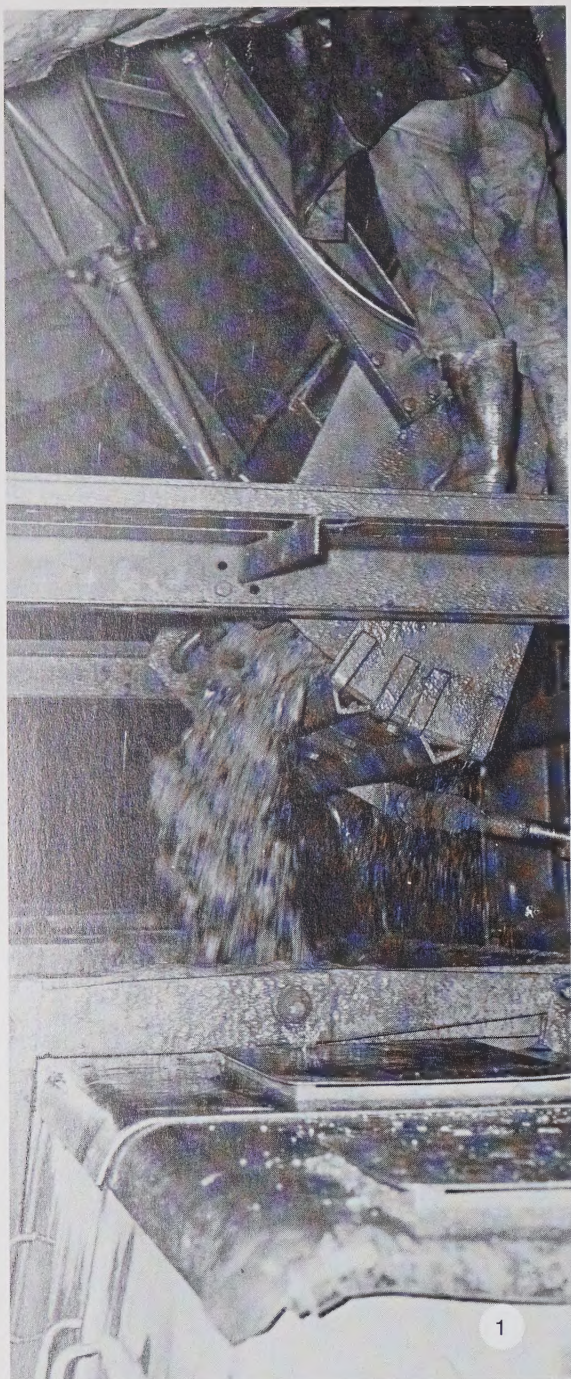
1 Storage, Dock Facilities and loading equipment at Foynes, approximately 47 miles from the mine

2 Spectrographic Analysis Machine

3 Lead Concentrate Dryer

4 Mill Control Panel





1 Loading cars from ore shoot

2 Flotation Cells

3 Ballygraique Estate



